

### QUICK STATS

		Change from last	
	Current	Yr.	Qtr.
Vacancy	5.0%	↑	↑
Net Absorption*	211,459 sf	↑	↓
Construction	3,181,055 sf	↑	↑

\* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

### HOT TOPICS

- A significant percentage of the proposed projects are planned in the Elk Grove/Laguna submarket with over 1.1 million square feet.
- Although second quarter's vacancy rate is a slight increase of 0.9% from the same time period last year, vacancy is not expected to sustain an upward trend.
- Absorption in neighborhood centers continues to be aggressive due to the large amount of grocery store anchored centers coming on-line.
- Although housing sales in the Sacramento area have slowed slightly, it has not affected the retail growth in the region.

# 100

A CENTURY OF SERVICE  
1906 | 2006

### MARKET OVERVIEW

Positive retail market trends continued into the second quarter of 2006. Construction activity in the area remained high with  $\pm 252,000$  square feet of retail being completed and over 3.1 million square feet currently underway. Roseville/Rocklin and North Natomas submarkets total over 2 million square feet of the combined under construction projects. Neighborhood centers are experiencing the most activity with several grocery stores under construction including Safeway and Raley's.

The Sacramento market has over 3.4 million square feet of retail in its planning stages. A significant percentage of the proposed projects are planned in the Elk Grove/Laguna submarket with over 1.1 million square feet. Two centers coming out of the ground in the Hwy 50/Rancho Cordova submarket are both located at the Sunrise Boulevard and Douglas Road intersection. These neighborhood centers are expected to start construction late 2007, and are anchored by Raley's and Safeway.

In the second quarter of 2006, the Sacramento retail region experienced a 5.0% vacancy rate. Although this rate is a slight increase of 0.9% from the same time period last year, vacancy

*Construction activity in the area remained high with  $\pm 252,000$  square feet of retail being completed and over 3.1 million square feet underway.*

is not expected to sustain an upward trend. The market remains extremely healthy and promising for retailers in the greater Sacramento area. The slight rise in vacancy rates can be attributed to the Ralph's grocery stores vacating several shopping centers in Folsom and the surrounding Sacramento area. This impact was noted, as the second quarter marks the first time vacancy rates were reported higher than 3.6% in the main growth areas. Folsom/El Dorado Hills experienced a vacancy rate of 5.5% and North Natomas experienced a 5.8% vacancy rate.

Net absorption remains strong with second quarter bringing in a positive 211,459 square feet. Year-to-date absorption is a positive 611,796 square feet reflecting rapid retail growth.

Average asking lease rates in the main growth areas continue to remain stable in 2006. Rents in these areas are averaging around \$2.75-\$3.25 per square foot. Expect these rates to remain steady with a possible slight increase due to aggressive tenant activity and the strong desire for new well positioned centers.

### TOP CBRE TRANSACTIONS - SECOND QUARTER

Our second quarter activity was excellent, highlighted by the following transactions:

#### RETAIL SALE TRANSACTIONS

Property:	Kimco Portfolio
Address:	8110 Gerber Rd, Sacramento/Northern California
Buyer:	RMI Investment Services (Represented by Jon Gianulias & John DuBois, CBRE)
Seller:	Kimco Realty Corp (Represented by Jon Gianulias & John DuBois, CBRE)
Square Footage:	$\pm 135,583$
Property:	Howe 'Bout Arden
Address:	2100 Arden Way, Sacramento
Buyer:	Saca (Represented Jon Gianulias & John DuBois, CBRE)
Seller:	USA Properties (Represented Jon Gianulias & John DuBois, CBRE)
Square Footage:	$\pm 165,000$

#### RETAIL LEASE TRANSACTIONS

Property:	Blue Oaks Town Center
Address:	NEC of Blue Oaks & Hwy 65, Rocklin
Tenant:	PetCo
Square Footage:	$\pm 15,000$
Comments:	Represented the Landlord: Jon Schultz, Rick Martinez & Josh Schmidt, CBRE
Property:	Blue Oaks Town Center
Address:	NEC of Blue Oaks & Hwy 65, Rocklin
Tenants:	Mervyn's
Square Footage:	$\pm 80,000$
Comments:	Represented the Landlord: Jon Schultz, Rick Martinez & Josh Schmidt, CBRE

Area	Submarket	Leasable Sq. Ft.	Vacant Sq. Ft.	Vacancy Rate	2Q Net Absorption	YTD Net Absorption	Under Constr.	Avg. Asking Rate*
9A	Natomas	1,419,881	81,758	5.8%	92,012	92,012	663,000	\$2.95
9B	South Natomas	589,377	5,674	1.0%	1,527	1,527	0	\$2.14
11	Arden / Watt / Howe	3,103,597	110,395	3.6%	(27,541)	(30,429)	0	\$1.93
12	Carmichael	1,103,806	37,058	3.4%	24,914	30,481	0	\$1.30
13	North Highlands	1,694,989	131,255	7.7%	7,463	15,315	0	\$1.40
14 / 15	Citrus Heights / Fair Oaks	3,704,834	284,690	7.7%	(3,638)	26,388	0	\$1.81
16	Hwy 50 / Rancho Cordova / Rosemont	2,641,018	400,689	15.2%	4,596	(4,802)	302,964	\$1.45
17	South Sacramento	4,155,157	161,442	3.9%	100	10,758	218,000	\$1.50
18	West Sacramento / Davis	1,256,310	40,392	3.2%	(29,540)	244,286	0	\$2.02
20	Laguna / Elk Grove	3,141,991	6,576	0.2%	8,286	7,996	181,374	\$2.95
25 / 26	Roseville / Rocklin	5,635,284	189,692	3.4%	11,710	(8,461)	1,401,290	\$3.00
27	Auburn / Loomis	1,142,989	7,709	0.7%	0	13,261	185,734	\$1.72
32	Greenhaven / Pocket	384,888	9,424	2.4%	2,711	2,711	0	\$1.85
36	Folsom / El Dorado Hills	3,545,664	195,273	5.5%	118,859	210,752	228,693	\$2.85
<b>MARKET TOTAL</b>		<b>33,519,785</b>	<b>1,622,026</b>	<b>5.0%</b>	<b>211,459</b>	<b>611,796</b>	<b>3,181,055</b>	
Type								
	Community Centers	13,278,001	432,085	3.3%	(56,081)	(34,366)	1,356,754	
	Freestanding	3,942,387	250,031	6.3%	100,000	365,000	0	
	Neighborhood Centers	11,037,398	836,169	7.6%	151,851	254,318	1,440,301	
	Power Centers	3,829,123	56,978	1.5%	4,940	12,688	304,000	
	Specialty Centers	991,261	31,034	3.1%	0	1,240	0	
	Strip Centers	441,615	55,729	12.6%	10,749	12,916	80,000	
<b>MARKET TOTAL</b>		<b>33,519,785</b>	<b>1,622,026</b>	<b>5.0%</b>	<b>211,459</b>	<b>611,796</b>	<b>3,181,055</b>	

Only retail properties over 50,000 square feet, excluding Regional Malls, are included in this survey.

\*Average asking lease rate by submarket is for in-line space in existing Neighborhood and Community Centers. Lease rates can vary based on the location, age, and type of the property.

## MARKET OUTLOOK

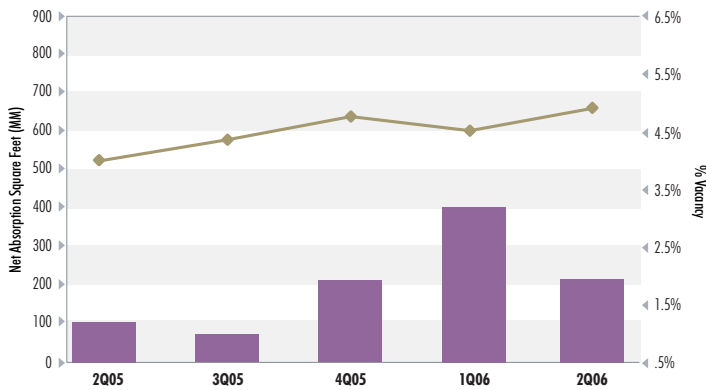
The second quarter statistics indicate the retail market continues to be strong in the Sacramento region. Overall vacancy is at 5.0%, slightly higher than the 4.5% in the first quarter.

Rental rates remained steady from the beginning of the year. New anchored centers averaged \$2.75-\$3.25 per square foot for shop space while older centers in established areas averaged \$2.00-\$2.75 per square foot for space ranging from 1,200 to 4,000 square feet.

Although housing sales in the Sacramento area have slowed slightly, it has not affected the retail growth in the region. We expect the balance of the year to continue posting strong volumes and growth.

## VACANCY/NET ABSORPTION

Vacancy 5.0%  
Net Absorption 211,459 SF



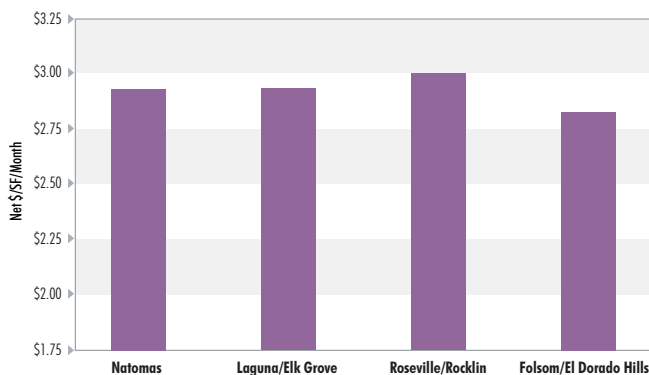
## VACANCY

Second quarter reported a 5.0% vacancy rate for the retail sector. This is a slight increase over the first quarter's vacancy of 4.5%. Construction in the main growth areas has impacted vacancy due to occupancy levels below 100% at time of completion. Of the four main growth areas North Natomas had the highest vacancy rate of 5.8%.

## NET ABSORPTION

Net absorption remained positive in the second quarter of 2006 (211,459 square feet). Folsom/El Dorado Hills witnessed the highest amount of positive absorption, partially due to the freestanding California Family Fitness building ( $\pm 100,000$  square feet) coming on-line. Absorption in neighborhood centers continues to be aggressive due to the large amount of grocery store anchored centers coming on-line.

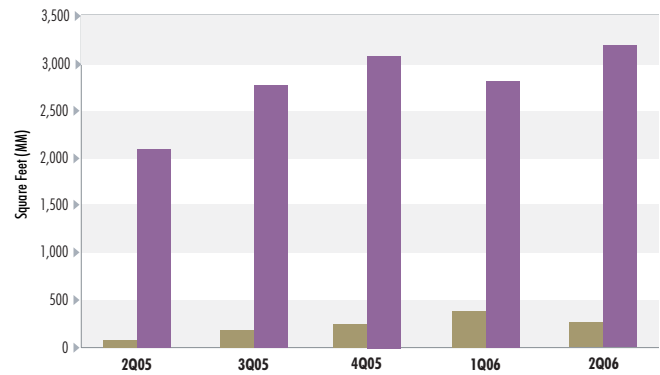
## SECOND QUARTER GROWTH AREA ASKING RENTS



Higher rents are witnessed in Sacramento's main growth areas, these areas include: Natomas, Laguna/Elk Grove, Roseville/Rocklin, and Folsom/El Dorado Hills. Average asking lease rates in the growth areas continue on a steady course with the rental rates averaging \$2.75-\$3.25 per square foot. Rents are expected to rise slightly throughout the year due to the rising cost of construction.

## CONSTRUCTION ACTIVITY

Under Construction  
Completed

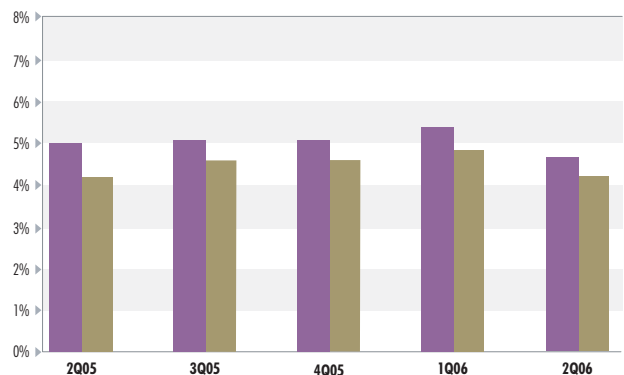


Major projects completed in the second quarter of 2006 were seen in the North Natomas and Folsom/El Dorado Hills submarkets. The Market West shopping center opened its  $\pm 100,000$  square foot center located at the southwest corner of Arena Boulevard & Duckhorn Drive. This project includes Bel-Air, Golden One, Wells Fargo, and Starbucks. Another project completed in North Natomas includes a  $\pm 52,000$  square foot building located at the southeast corner of Del Paso and East Commerce Way. California Family Fitness also opened at the northeast corner of Oak Avenue and East Bidwell Street adding  $\pm 100,000$  square feet of retail to Folsom.

A large amount of construction will continue throughout 2006, with over 3 million square feet under construction and over 3 million square feet in the planning stages. Look for Blue Oaks Gateway center,  $\pm 520,000$  square feet, to impact future market statistics. While R.C. Willey is now open, the remaining tenants are still under construction and the centers completion is expected late 2006 through early 2007.

## UNEMPLOYMENT RATE

California  
Sacramento MSA

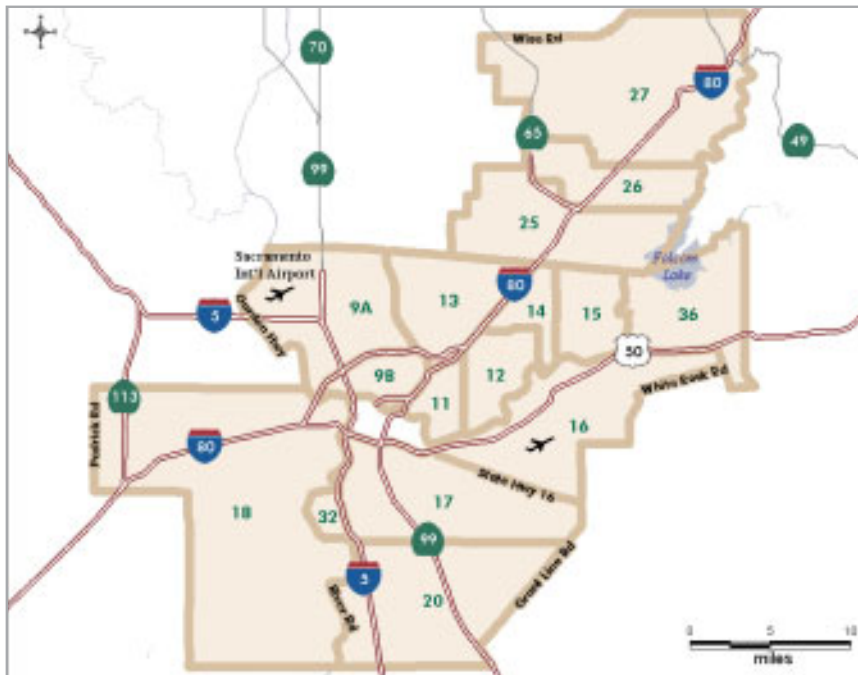


In May 2006, the California Employment Development Department reported a 4.2 percent unemployment rate for the Sacramento Area, which fell below last year's estimate of 4.5 percent and is down from last quarter's number of 4.8 percent. The current unemployment rate for California is 4.6 percent. Across counties, unemployment rates are as follows: El Dorado County 4.2 percent, Placer County 3.6 percent, Sacramento County 4.3 percent, and 4.3 percent in Yolo County.

During last year the total job count increased by 2.4 percent, with a total of 21,000 jobs added to the Sacramento MSA. Nearly all industries contributed to the positive gain of employment with the largest impact of 5,400 additional jobs in professional and business services. While the nation is experiencing an overall decline in manufacturing, the Sacramento MSA tallied an additional 2,200 jobs in this sector. Also of note is the significant contribution from both the government and retail industries, adding 3,600 and 3,200 respectively.

## SUBMARKET AREA DESCRIPTIONS

LOCATION / MARKET AREA	MARKET GLA	MARKET SHARE
9A NATOMAS	1.4 million square feet	4.2%
9B SOUTH NATOMAS	0.6 million square feet	1.8%
11 ARDEN/WATT/HOWE	3.1 million square feet	9.3%
12 CARMICHAEL	1.1 million square feet	3.3%
13 NORTH HIGHLANDS	1.7 million square feet	5.1%
14/15 CITRUS HEIGHTS/FAIR OAKS	3.7 million square feet	11.1%
16 HWY 50/RANCHO CORDOVA/ROSEMONT	2.6 million square feet	7.9%
17 SOUTH SACRAMENTO	4.2 million square feet	12.4%
18 WEST SACRAMENTO/DAVIS	1.3 million square feet	3.7%
20 LAGUNA/ELK GROVE	3.1 million square feet	9.4%
25/26 ROSEVILLE/ROCKLIN	5.6 million square feet	16.8%
27 AUBURN/LOOMIS	1.1 million square feet	3.4%
32 GREENHAVEN/POCKET	0.4 million square feet	1.1%
36 FOLSOM/EL DORADO HILLS	3.5 million square feet	10.6%



## LOCAL OFFICES

## SACRAMENTO

555 Capitol Mall, Suite 100  
Sacramento, CA 95814  
1.916.446.6800

## ROSEVILLE

1512 Eureka Road, Suite 100  
Roseville, CA 95678  
1.916.781.2400

## FRESNO

10 River Park Place East  
Fresno, CA 93720-1531  
1.559.433.3500

## OAKLAND

155 Grand Avenue, Suite 100  
Oakland, CA 94612  
1.510.874.1900

## PLEASANTON

5000 Hopyard Road, Suite 180  
Pleasanton, CA 94588  
1.925.251.4600

## RENO

5190 Neil Road, Suite 460  
Reno, NV 89502-8500  
1.775.823.6999

## STOCKTON

1776 West March Lane, Suite 170  
Stockton, CA 95207  
1.209.473.7800

## SAN FRANCISCO DOWNTOWN

275 Battery Street, Suite 1300  
San Francisco, CA 94111  
1.415.772.0123

## SAN FRANCISCO PENINSULA

950 Tower Lane, Suite 870  
Foster City, CA 94404  
1.650.577.2900

## SILICON VALLEY

226 Airport Parkway, Suite 150  
San Jose, CA 95110  
1.408.453.7400

**CBRE**  
CB RICHARD ELLIS

**100** A CENTURY OF SERVICE  
1906 | 2006

## TERMINOLOGY

**AVERAGE ASKING DIRECT LEASE RATE:** The rate calculated by multiplying the asking lease rate for each building in the summary by its associated available space, summing the products, then dividing by the sum of the available spaces with leases for all buildings in the summary. Direct leases only; exclude sublease space. Rates are reported \$ per Sq.Ft. per month.

**GROSS LEASABLE AREA:** The total leasable area in the property designed for tenants' occupancy.

**MARKET COVERAGE:** Includes all competitive retail centers 50,000 square feet or greater of Gross Leasable Area excluding regional malls.

**NET ABSORPTION:** The change in Occupied Square Feet from one period to the next.

**NET LEASES:** Includes all lease types whereby the Tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**OCCUPIED SQUARE FEET:** GLA not considered vacant.

**UNDER CONSTRUCTION:** Buildings which have begun construction as evidenced by site excavation or foundation work.

**VACANCY RATE:** Vacant Square Feet divided by the GLA.

**VACANT SQUARE FEET:** Available GLA which is either physically vacant or immediately available.

## CENTER TYPE

**Strip Center:** A center unanchored by a large tenant and consisting of multiple smaller tenants; it can be national, regional, or local in nature. The gross leasable area is typically less than 50,000 square feet.

**Neighborhood Center:** A center that provides for the sale of convenience goods (foods, drugs, etc.) and personal services (laundry, dry cleaning, etc.) for day-to-day living needs of the immediate neighborhood. A supermarket and drug store are usually the anchor tenants. A neighborhood center typically ranges from 80,000 to 130,000 square feet of gross leasable area.

**Community Center:** A shopping center which offers a wider range of retail categories such as soft goods, apparel, hard lines, hardware, appliances, etc., rather than a neighborhood center. A community center is usually built around a junior department store, variety store or discount department store in addition to a supermarket. The size of a community center typically ranges from 100,000 to over 300,000 square feet of gross leasable area.

**Power Center:** Typically anchored by three or more "big box" retailers, and further differs from a community center by drawing shoppers from a wider geographic area. A power center usually ranges in size from 250,000 to over 1,000,000 square feet of gross leasable area.

**Specialty Center:** A retail center which does not fit into the typical definition of neighborhood or community center due to a non-traditional anchor. Specialty centers can be built around a variety of themes, including factory outlet stores, fashion and entertainment.

**Regional Mall:** Provides a broad spectrum of retail categories including general merchandise, apparel, furniture and home furnishings in full depth and variety. Regional Malls are built around at least two full-line department stores, each with a minimum gross leasable area of 100,000 square feet. Regional Malls are typically upwards of 1,000,000 square feet in size. It should be noted that there are currently 5 Regional Malls in the Sacramento Area which total approximately 5,000,000 square feet of gross leasable area.

For more information regarding the MarketView, please contact:

Stephanie Newman

Marketing & Research Manager

CB Richard Ellis

555 Capitol Mall, Ste. 100, Sacramento, CA 95814

T. 916.446.8227 F. 916.446.8750

stephanie.newman@cbre.com